

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 6185**

**BILL NUMBER:** SB 66

**NOTE PREPARED:** May 5, 2005

**BILL AMENDED:** Apr 28, 2005

**SUBJECT:** Hospital Care and Reimbursement under Medicaid

**FIRST AUTHOR:** Sen. Dillon

**FIRST SPONSOR:** Rep. Becker

**BILL STATUS:** Enrolled

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
X FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** *Medicaid Managed Care, Lake County:* This bill extends provisions of law until December 31, 2007, that: (1) prohibit the Office of Medicaid Policy and Planning (Office) or the Office's managed care contractor from providing incentives or mandates that direct certain individuals to specified hospitals other than the hospital located in the city where the patient resides unless specified conditions are met; (2) require reimbursement for specified hospitals for services provided if certain conditions are met; and (3) require an inflation adjustment factor to be applied to the reimbursements.

*Hospital Care for the Indigent (HCI) Provisions:* The bill extends the deadline by which a hospital has to file an application for the Hospital Care for the Indigent Program from 30 days to 45 days. It specifies the services or items included as a payable claim in the program. The bill also makes changes to the procedures and requirements to file a claim and determine eligibility in the program. It provides immunity for administration of certain agreements between a hospital and the Division of Family and Children. It also repeals certain laws concerning: (1) provider agreements; and (2) the Hospital Care for the Indigent Care Program.

**Effective Date:** Upon Passage; July 1, 2003 (Retroactive); July 1, 2004 (Retroactive); December 30, 2004 (Retroactive); December 31, 2004 (Retroactive).

**Explanation of State Expenditures:** *Medicaid Managed Care, Lake County:* This bill extends to April 1, 2006, certain provisions in current statute which affect the relationship between a Medicaid managed care organization (MCO) providing services in Lake County and the providers providing medical services to Medicaid recipients assigned to the MCO. The bill does specify the manner in which some reimbursement rates (between the MCO and the MCO's providers) are determined. The bill specifies that rates paid may not exceed

the current Medicaid fee-for-service rates. Consequently, this provision is not expected to significantly impact expenditures in the Medicaid program.

The bill repeals two sections of the statute that expired on December 31, 2004.

*Hospital Care for the Indigent (HCI) Provisions:* This bill extends the period of time that a provider has to submit an application to the Division from 30 days from the patient encounter or admission to 45 days from the patient encounter or discharge. Effectively this provision allows physicians and transportation services an additional 15 days to submit an application for the HCI Program. Hospitals would have a time frame extended by 15 days plus the length of stay in the case of an admission. This provision has no fiscal impact.

The bill also provides that the Division may rely on information collected by the hospital in order to determine the individual's eligibility for the HCI Program. The bill also specifies that the expiration of the 45 days allowed for the Division to determine eligibility is not a valid reason to deny assistance for the HCI program. If the Division does not make a determination within the given time frame, the person is considered to be financially and medically eligible for the program. Depending on administrative actions taken by the Division of Family and Children to ensure that the county offices are familiar with the requirements of the HCI eligibility process, these provisions may increase the number of persons determined to be eligible for the HCI program. The program processed approximately 12,000 claims in FY 2004. Of these claims, about 8,500, or 71%, were over 91 days past the submission date when they were received by the central office. Additionally the agency reported that of the 12,000 claims submitted, about 5,600, or 47%, were determined to be ineligible for the HCI Program. The majority of these were determined to be financially ineligible. If under the provisions of this bill, these applications are considered to be eligible without regard for current financial or medical eligibility determinations, the level of claims assigned to the applicant's county of residence could grow significantly. County levy averages could be affected, although the impact would depend upon individual circumstances.

The bill would also allow the Division of Family and Children to contract with hospitals to determine financial and medical eligibility for the HCI Program for the hospital's patients. The bill would further grant immunity to a hospital making the eligibility determination from civil and criminal liability that might arise from the implementation of this provision. Hospitals submit claims to the HCI program in order to calculate the county property tax levy amount. The hospital claims are not paid directly, rather the hospital receives a Medicaid add-on payment as a substitute. This allows the HCI funds to leverage federal funds within the Medicaid Program.

The bill also establishes a 180-day time frame from the release or discharge of the patient for the submission of claims to the Division for hospital services, physician services, or transportation services that were provided to an eligible individual. The bill provides that the 180-day limit may be waived by the Division for good cause.

*HCI Eligibility Determination Background:* Prior to July 1, 2003, hospitals were not required to submit bills for the HCI Program to the Division. The county Offices of Family and Children were required to determine eligibility only for the applicants for eligibility related to physician and transportation claims for payment. Effective July 1, 2003, applications for hospital claims were required to be submitted to the county DFC offices for eligibility determinations. Hospital claims will constitute the majority of the applications submitted for HCI Program benefits. The Division may use HCI funds to reimburse the state administration account for the caseworker time involved in making the eligibility determination.

**Explanation of State Revenues:** *Medicaid Managed Care Provisions:* See *Explanation of State Expenditures* regarding federal reimbursement in the Medicaid Program. Medicaid is a jointly funded state and federal

program. Funding for direct services is reimbursed at approximately 62% by the federal government, while the state share is about 38%. Funding for administrative services is generally shared 50/50.

*Hospital Care for the Indigent Provisions:* The bill repeals provisions that allow the Division to pursue repayment of the amounts paid by the HCI Program from the applicants, their legally appointed representatives, or an estate. It also repeals the subrogation of patient's rights to potential insurance recoveries in the amount of the claims paid by the HCI Program. This provision will have a fiscal impact on the state dependent upon individual circumstances. The repeal of this provision will eliminate the Division's ability to seek recoveries from patients or their estates.

In the past, the Division has had collections from this source. Hospital claims are not paid through the HCI Program and are currently not subject to recovery efforts by the Division. (Hospital claims are not paid directly through the HCI Program; they are tracked in the program for property tax levy and Medicaid add-on payment calculations.) Physician and transportation claims are, however, paid through the HCI program. The amount of associated collections that would be lost as a result of the repeal would be dependent upon individual circumstances. Previous years' collections are shown below. Repayments and collections amounts shown below include amounts repaid by patients or their estates and Medicaid or insurance recoveries. Currently, recoveries and collections are not reflected as a deduction to the amounts reported to the counties for use in the levy calculations.

<b>Fiscal Year</b>	<b>HCI Repayments &amp; Collections</b>	<b>HCI Administrative Cost</b>	<b>Assistance Claims Paid</b>
FY 2004	155,429	245,614	1,172,751
FY 2003	226,414	191,290	1,361,545
FY 2002	217,830	261,839	1,453,775
FY 2001	387,916	204,361	1,755,333
FY 2000	269,233	200,618	1,883,531

Under current law, the HCI tax levy is estimated at \$51.1 M in CY 2005 and \$51.5 M in CY 2006.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Office of Medicaid Policy and Planning, Division of Family and Children, Family and Social Services Administration.

**Local Agencies Affected:** County-owned hospitals.

**Information Sources:** Office of Medicaid Policy and Planning, Family and Social Services Administration;

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